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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 004123

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E.O. 12958: DECL: 12/14/2016

TAGS: ECON PREL EAIR CH TW
SUBJECT: CROSS-STRAIT TOURISM - TAIWAN LOOKS TO AGREEMENT
IN MARCH

REF: A. TAIPEI 4063

1B. TAIPEI 3963
1C. TAIPEI 3581

Classified By: AIT Deputy Director Robert S. Wang, Reason 1.4 d

¶1. (C) Mainland Affairs Council (MAC) Economic Division Director Fu Don-cheng indicated to AIT that Taiwan and China would probably not be able to reach an agreement this year on further opening of Taiwan to PRC tourists. He backtracked from earlier comments by MAC Chairman Joseph Wu that an agreement shortly after the December 9 elections in Taiwan should be possible. Taipei Association of Travel Agents (TATA) Chairman Yao Ta-kuang told AIT separately that an agreement would more likely be concluded in March. End summary.

MAC Lowers Expectations

¶2. (C) In a meeting with AIT/T econoff on December 13, 2006, MAC Economics Division Director Fu Don-cheng expressed very little optimism that Taiwan and China would reach an agreement this year on further opening of Taiwan to PRC tourists. Before the December 9 elections, MAC Chairman Joseph Wu publicly and privately to the Director (ref A) predicted the two sides would be able to conclude an agreement shortly after the elections. With unusual frankness, Fu said that Wu's earlier statements were not correct. Fu commented that the two sides need to reach an agreement by March or April 2007; otherwise Taiwan's election cycle will make progress difficult. He would not speculate further on timing for an agreement.

¶3. (C) Fu blamed the PRC for further delays, arguing that while China appears fully supportive of the tourism negotiations, it is actually moving very slowly. He noted that on November 15, Zhang Mingqing, spokesman for the PRC's Taiwan Affairs Officer (TAO), had stated that tourism and weekend passenger charter flights should be arranged and implemented at the same time. Taiwan has previously indicated that it would prefer to negotiate an agreement on tourism before weekend charter flights.

Travel Agents Association Echoes MAC on Timing

¶4. (C) TATA Chairman Yao Ta-kuang, who has been active in cross-Straits discussions on tourism, separately echoed to AIT Fu's comments on the likely timing of an agreement. On December 14, Yao told us that that most likely time frame for conclusion of an agreement would be March 2007. He said the two sides still have some outstanding technical issues to resolve. An agreement might be possible in January, he said, but that would require them to rush the discussions. He also commented there was little advantage in concluding an agreement in January since most flights and tourist facilities in Taiwan were already booked for the Lunar New Year holiday in February. Yao pointed out that PRC counterparts had not yet raised the issue of a linkage to charter flights in any of the discussions he attended. He does not believe the PRC will insist on such a linkage.

¶5. (C) Yao also explained that the PRC recently proposed that Taiwan permit 2,000 Chinese tourists to enter Taiwan each day. Taiwan has previously indicated it would permit only 1,000 per day. Yao said the initial agreement will probably permit 1,000 per day, but might increase to 2,000 after 3 to 6 months and eventually rise as high as 3,000. He noted that the two sides continue to discuss language for travel agent contracts.

Comment - Link to Charters Could Mean More Delays

¶6. (C) Taiwan's target for conclusion of a cross-Straits tourism agreement appears to be receding once again. If delayed any further, Taiwan's upcoming schedule of

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elections could again hurt the prospects for an agreement. This apparent further delay is disappointing, but the possibility of the PRC linking a tourism agreement to an agreement on weekend passenger charter flights could be of even greater concern to Taiwan. Taiwan airlines are much more interested in cross-Straits cargo charters than weekend passenger flights. As TATA's Yao pointed out to us, weekend charters will create more competition from PRC carriers while reducing traffic on the highly profitable routes connecting Taiwan and Hong Kong. In addition, the "deep-Green" pro-independence Taiwan Solidarity Union (TSU) has repeatedly expressed its strong opposition to weekend charter flights as an interim step toward direct links. In a meeting with the AIT Director on December 5 (ref A), MAC Chairman Wu described MAC's consultations with the TSU, illustrating that party's continuing strong influence on the Chen administration's cross-Straits policy even as the TSU's electoral support declines further. In the end, Beijing may agree to conclude a tourism agreement before a deal on weekend flights. However, if it is determined to link the two, it could mean even longer delays for a tourism agreement.

YOUNG